



THIRTY-FIFTH ANNUAL REPORT

1979

Directors

H. PURDY CRAWFORD, Q.C.
Toronto, Ontario

JOHN G. EDISON, Q.C.
Toronto, Ontario

GERALD T. FENWICK
London, Ontario

ROSS M. HANBURY
Toronto, Ontario

WILLIAM H. HARPER
Toronto, Ontario

DONALD G. McKAY
Brantford, Ontario

J. GORDON McMILLEN
Brantford, Ontario

J. THOMAS McMILLEN
Brantford, Ontario

EDMOND G. ODETTE
Toronto, Ontario

L. LOUIS ODETTE
Toronto, Ontario

THEODORE E. RHENIUS
Brantford, Ontario

JOHN G. STEER
Toronto, Ontario

Executive Committee

WILLIAM H. HARPER — Chairman
EDMOND G. ODETTE
DONALD G. McKAY
JOHN G. STEER

Audit Committee

L. LOUIS ODETTE — Chairman
H. PURDY CRAWFORD
ROSS M. HANBURY

Officers

J. GORDON McMILLEN
Honorary Chairman

EDMOND G. ODETTE
Chairman of the Board

WILLIAM H. HARPER
Vice Chairman of the Board

DONALD G. McKAY
President and
Chief Executive Officer

THEODORE E. RHENIUS
Vice President — Finance
and Secretary-Treasurer

GERALD T. FENWICK
Vice President and General
Manager — Unifin Division

J. THOMAS McMILLEN
Vice President and General
Manager — Brantford Division

R. ROY BENNETT
Vice President and Director
of Manufacturing —
Brantford Division

**Registrar and
Transfer Agents**

THE CANADA TRUST COMPANY
Montreal, Toronto

Shares Listed

TORONTO STOCK EXCHANGE

Auditors

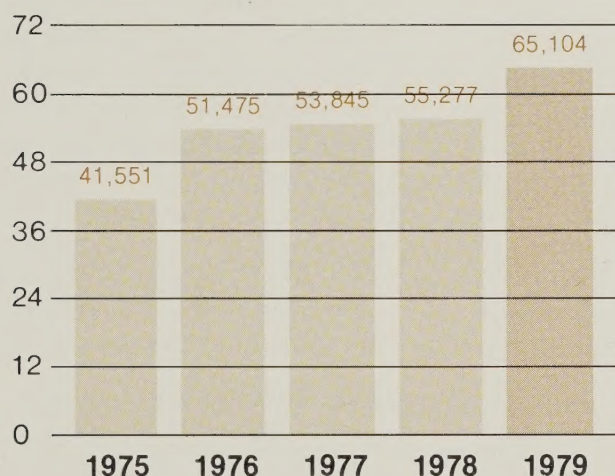
PRICE WATERHOUSE & CO.
Chartered Accountants
Hamilton, Ontario

1979 Financial Highlights

	1979	1978	% Increase (Decrease)
Sales	\$65,103,666	\$55,276,563	17.8
Net Earnings (after taxes)	\$ 4,047,196	\$ 2,957,443	36.8
Net Earnings (per share)	\$ 2.00	\$ 1.46	36.8
Dividends per Share	55¢	80¢	(45.5)
Current Ratio	1.9:1	2.1:1	(10.5)
Working Capital	\$16,372,622	\$13,197,073	24.1
Shareholders' Equity	\$20,441,910	\$17,513,873	16.7
Backlog of Unfilled Orders Dec. 31	\$23,006,725	\$19,272,589	19.4

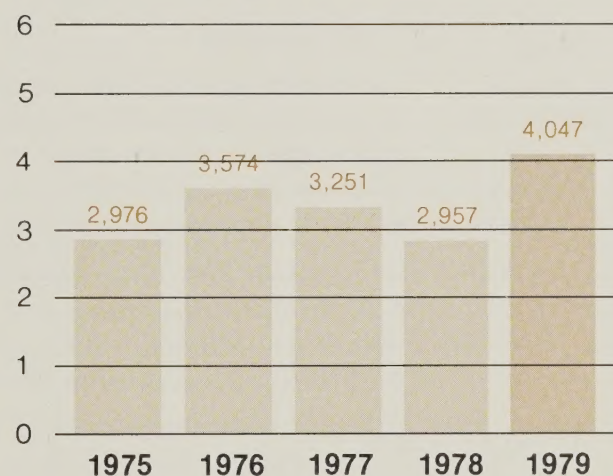
Sales

(in thousands of dollars)



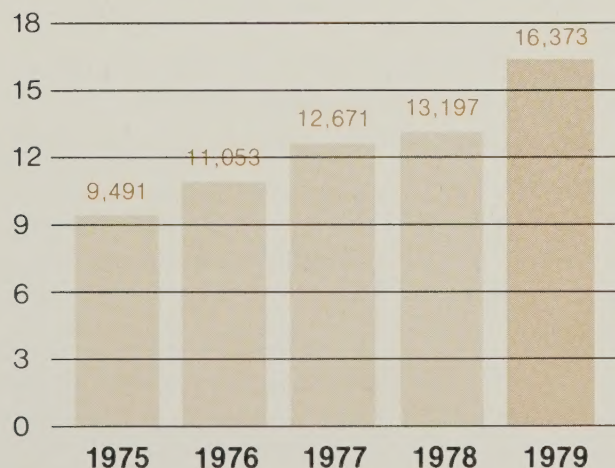
Net Income for the Year

(in thousands of dollars)



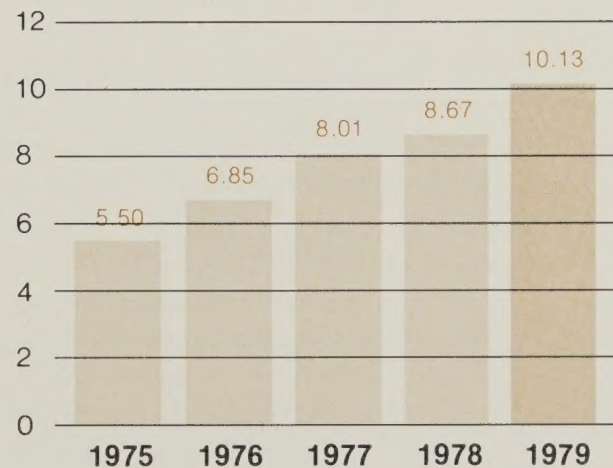
Working Capital

(in thousands of dollars)



Equity Per Share

(in dollars)



Report to the Shareholders

Financial Results

We are pleased to report that 1979 was a year of significant achievement for your Company. Record levels of sales and profits were established and important changes were made that we expect will result in a substantial improvement to the Company in the future.

Net earnings for the year were \$4,047,000 or \$2.00 per share, compared with \$2,957,000 and \$1.46 for the previous year. Consolidated sales for the year rose to \$65,000,000 up from \$55,000,000 last year.

Management

A number of significant senior management changes were made by your Company during the past fiscal year and in the first quarter of this year.

Mr. Donald G. McKay, B.Sc., P.Eng., was appointed President and Chief Executive Officer of the Company. Mr. McKay was formerly Chairman and C.E.O. of a large Quebec based manufacturing company.

Mr. G.T. Fenwick, B.Sc., P.Eng., was appointed Senior Vice President Operations responsible for Manufacturing, Engineering and Quality Control. Mr. Fenwick was formerly Vice President and General Manager of the Unifin Division.

Mr. W.G. Woodcock, B.Sc., LL.D., P.Eng., was appointed Senior Vice President in charge of Marketing. Mr. Woodcock has had many years experience in the refrigeration and air conditioning field and most recently was a Barrister and Solicitor with a large Toronto legal firm.

The following appointments have also been made from within the management of KeepRite.

Mr. W.J. McLean, B.Sc., P.Eng., Executive Assistant to the President, responsible for

Strategic Planning and Development.

Mr. B.W. Chubb, B.Sc., M.B.A., P.Eng., Director of the Room Air Conditioning Group.

Mr. D.L. Foot, B.Sc., Director of the Commercial Products Group.

We feel that these changes will substantially assist in achieving KeepRite objectives for growth and profitability in the 1980's.

Plant Expansion

Brantford, Ontario.

In February 1980 we purchased a very modern new 86,000 square foot industrial building, including adequate acreage, in a local industrial park, which will allow us to re-organize some of our manufacturing and warehouse facilities in a more efficient manner.

London, Ontario.

In mid 1980 a 25,000 square foot addition to the Unifin plant will be completed allowing for increased efficiency and capacity.

Lisbon, Ohio.

As of April 1980 our subsidiary Cardinal Development Corporation will have purchased their leased premises. Although the building is now only 60% occupied by Cardinal it will allow for further planned expansion.

Outlook

The new Organizational Structure plus new and expanded plant facilities will afford better control of all areas of the business including sales, inventories and manufacturing costs and provide for future growth potential.

A satisfactory backlog of orders on hand at December 31, 1979, is encouraging. This contributes to our confidence as we move into 1980.

New on-line computerized manufacturing and scheduling control systems (MRP) at both Brantford and London will be in place during 1980 which are expected to reduce inventory and improve production scheduling.

Commercial & Industrial Refrigeration

The majority of our refrigeration products are sold across Canada through refrigeration wholesalers, most of whom have handled KeepRite products for many years. The product lines being handled through these franchised outlets are being broadened and all products are being carefully reviewed to ensure the retention of our position of leadership in this field.

In 1979, the commercial and industrial refrigeration business increased by more than 20%. Our marketing plans both at home and abroad, encourage us to conclude that 1980 will see considerable progress in this area.

Commercial & Industrial Air Conditioning

Air conditioning equipment for commercial and industrial application is sold through mechanical contractors. Their purchases are often influenced by the consulting engineer's specification or the preference of an end user of the products.

Progress was made in this field in 1979, but we are planning several initiatives that should have a marked bearing on our activity here in 1980.

A newly designed series of small sized rooftop units to augment the large capacity KeepRite units is expected to produce considerable new business in 1980.

Other products are contemplated. Also, KeepRite is prepared to design and manufacture specific products for major repetitive buyers.

Residential Air Conditioners

Your company now enjoys a very substantial part of the residential air conditioning business in Canada. Part of this is obtained by providing KeepRite units and the balance by furnishing private branded products to others. This section of business is growing at a steady rate. The quietness, the dependability and the efficiency of this equipment will continue to win us an even larger portion of the business in the future.

Room Air Conditioners

Most of KeepRite's room air conditioner business is the manufacture of units private branded and distributed by others. The Canadian, American and Australian markets are served with our products in this manner. In offshore markets, other than Australia, sales have been primarily KeepRite brand.

This type of volume production is very important. It justifies sophisticated equipment and methods which can have a beneficial effect on other manufactured product lines.

Engineering time and effort has been expended on a continuous basis to keep improving and expanding the line to meet the needs of our customers. This will be increased during 1980 to consider every possible improvement that might increase the efficiency or minimize the energy consumed by KeepRite units to the best possible levels in this industry.

Industrial Heat Transfer Products

The Unifin Division had a record year in 1979 manufacturing sophisticated individually designed heat transfer products for applications in many countries of the world. The enviable reputation Unifin has earned is because of the vast knowledge of the engineering principles of unusual heat transfer problems, together with the high

Report to the Shareholders (continued)

technology of skilled craftsmen who build the specialized products.

To accommodate the increasing volume of expected business in 1980, an addition is underway for both the office and plant of Unifin in London.

Oil-Immersed Pumps

Oil-immersed pumps, primarily for the electrical industry, are produced in the Cardinal Development Corporation plant in Lisbon, Ohio, under the capable direction of its President Lou Ospeck.

An agreement has recently been concluded to purchase the plant in Ohio at the end of our current lease on April 1st, 1980.

The Unifin sales offices are augmenting the Cardinal sales force in 1980, and a considerable increase in business is expected in the coming year in both oil-immersed pumps and custom machining.

Dividends

Dividends paid in 1979 totalled 55¢ per share. Your Directors voted to increase the dividend to \$0.20 per share for the first two quarters in 1980.

Auditors

The Board of Directors appointed Price Waterhouse & Co. as auditors of the Company replacing Millard, Rouse and Rosebrugh.

Acknowledgements

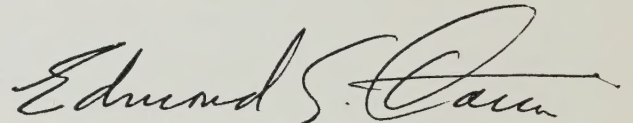
Mr. J.G. McMillen. The founder of KeepRite 35 years ago retired in June 1979 as the Chairman and Chief Executive Officer and we wish to acknowledge his great contribution to the growth of the company.

Mr. F.S. Brown. It was with regret that we accepted Mr. Brown's resignation due to health reasons as President and a member of the Board of Directors.

Millard, Rouse and Rosebrugh withdrew as Auditors of the company and we thank them for the excellent service over the past years.

Mr. W.H. Harper. We would like to thank Mr. Harper who is Vice Chairman of the Board for assuming the position of "Acting President" for several months prior to the appointment of Mr. D.G. McKay.

Your Directors wish to express their appreciation to our many customers, shareholders and employees who contributed in making this a successful year for the Company.



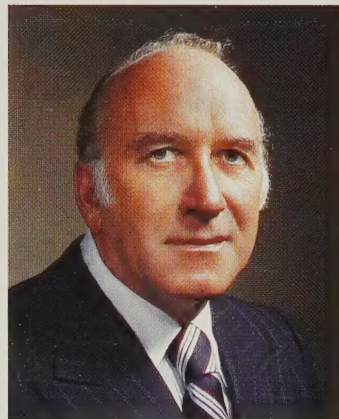
By Order of The Board of Directors,
Edmond G. Odette,
Chairman.

March 14, 1980.

The 1980 KeepRite Team



Donald G. McKay, P.Eng., became the President and Chief Executive Officer of KeepRite on January 2nd, 1980. Mr. McKay comes to KeepRite with an impressive record. He has been with one company in Quebec for thirty years, was its President in 1968 and was made Chairman and C.E.O. in 1978. The company operated several manufacturing plants in Canada, employed more people and did a greater volume of business than KeepRite did in 1979. Mr. McKay remains a director of that company. However, to exceed his past business accomplishments at KeepRite is a goal he has established for 1981.



Edmond G. Odette, P.Eng., was appointed Chairman of the Board of KeepRite in May, 1979. Mr. Odette is the President of the Odette Group Limited which acquired approximately 39.1% of KeepRite's shares from the McMillen family in March, 1979. Since that time, O.G.L. have acquired additional shares to bring their investment to over 50%. E. G. Odette is the President of Eastern Construction Company Ltd. and other Odette companies. He is also Director of Hiram Walkers, Gooderham & Worts Ltd., I.A.C. and the Continental Bank.



William H. Harper, P.Eng., was appointed Vice Chairman of the Company and Chairman of the Executive Committee in May of 1979. Mr. Harper has had thirty years of intensive involvement in the air conditioning and refrigeration industry. He resigned in 1978 after twenty-five years as President and Chairman of Beaver Engineering Ltd. Mr. Harper is also Chairman of Lovell & Christmas Canada Ltd., President of W.H. Harper, Inc., Vice President of O.G.L. and Director of Liberty Mutual (Canadian Advisory Board), Federal Trust Co., Inc., Laker Air Travel (Canada) Ltd.

Early in 1980, a new organizational arrangement has been established that will permit KeepRite to serve the public and its customers even better in the future.



Shown with D.G. McKay are: (L to R) W.G. Woodcock, P.Eng., Vice President, Marketing; G.T. Fenwick, P.Eng., Vice President, Operations; W.J. McLean, P.Eng., Executive Assistant, Planning.



Operations Group: (L to R) K.W. Renshaw, Unifin Plant Manager; G.S. Macivor, P.Eng., Director of Engineering, Brantford Division; G.T. Fenwick, P.Eng., Vice President, Operations; R.R. Bennett, Vice President, Manufacturing, Brantford Division.



Marketing Group with D.G. McKay: (L to R) W.G. Woodcock, P.Eng., Vice President, Marketing; B.W. Chubb, P.Eng., Director, Room Air Conditioning Group, Brantford; G.E. Lill, Sales Manager, Unifin Division; D.L. Foot, B.Sc., Director, Commercial Products, Brantford; J.C. Richardson, P.Eng., Engineering Manager, Unifin Division.

KeepRite Inc. (Formerly KeepRite Products Limited)

Manufacturers and suppliers of

Commercial and Industrial Refrigeration, Commercial and Industrial Air Conditioning,
Industrial Heat Exchangers, Industrial Heat Recovery, Immersible Oil Pumps,
Residential Air Conditioning and Room Air Conditioners

Commercial and Industrial Refrigeration

The refrigeration products were the basis of KeepRite's business from the beginning and is still vitally important to the Company and its customers. The majority of these units are sold by KeepRite under an agreement with many refrigeration wholesale distributors across the country.

1. Here, a few of our refrigeration products are seen in a wholesale distributor's showroom. W.F. Marshall (right), President of Marshall Refrigeration Co. Ltd. in Toronto is seen with Jack Coutts, KeepRite Toronto Sales Office Manager.

The line of refrigeration units are for use in walk-in coolers and freezers. They are also used in major industrial plants to maintain specific temperature or humidity conditions for either products or processes in a myriad of industries.

2. In Vancouver, Terry Lynn Bakery use KeepRite equipment for fast-freezing their bakery products, including a variety of frozen cakes which we see in grocery stores. The photo shows a row of KeepRite Compressor Units in their machine room.

Commercial and Industrial Air Conditioning

Sales representatives in major cities across Canada are responsible for the engineering application of KeepRite air conditioning equipment to various commercial and industrial projects. They provide product information to the designing architectural and engineering firms, application data to major repetitive chain buyers as well as pricing, installation and service data to the contractors.

KeepRite sales representatives are technically competent, with years of experience and they enjoy the support and back-up of product managers, head office engineering and manufacturing experts.

3. The Eastgate Square in Hamilton, Ontario, is one of many shopping centres across Canada where KeepRite equipment is in use for air conditioning, heating, as well as refrigeration.

4. Stelco, over the years, has been a valuable customer of KeepRite. Sales engineers in the Burlington sales office, provide air conditioning, ventilating and process cooling equipment to Stelco Steelworks in Hamilton.

Residential Air Conditioning

The KeepRite residential "split" air conditioners have been developed over the years and continuously upgraded and improved as we strive to have the quietest, most energy efficient unit on the market. Some success must have been achieved as in 1979 KeepRite enjoyed a substantial share of the market in Canada.

5. This central home air conditioner, which we call the "Climatizer", is manufactured in our Brantford plant. It uses the existing heating ductwork in the house to circulate cool, dehumidified air in summer.

Room Air Conditioners

Many room air conditioners are manufactured on a private brand basis for different corporations in Canada, U.S.A. and overseas, who market them under their own names.

6. Through-the-wall type room air conditioner for cooling only or cooling combined with electric heating.

7. One of the room air conditioner production lines in the Brantford plant which are capable of producing more than three thousand units a day.

Industrial Heat Exchange Products

The Unifin Division manufactures many different types of heat exchanger products. However, because of the very specialized needs of each industry, they are not catalogued or stocked items. Almost all equipment is individually designed and specifically fabricated with suitable metals and materials to deliver the required results.

8. This photograph shows one of the five cooling package units ready for shipment to Mexico. They will be used for cooling the oil in generator transformers at a hydro electric power project.

9. The Unifin Plant in London, Ontario. In the foreground, on the crane, is a blast coil which will be used in a steam heating application.

Oil Immersed Pumps

Cardinal pumps are primarily used for circulating oil required for cooling large transformers. This is such a special application that there are very few reliable sources for the product. Cardinal is continuing to obtain a higher portion of the market share because of dependable quality products and reliable delivery.

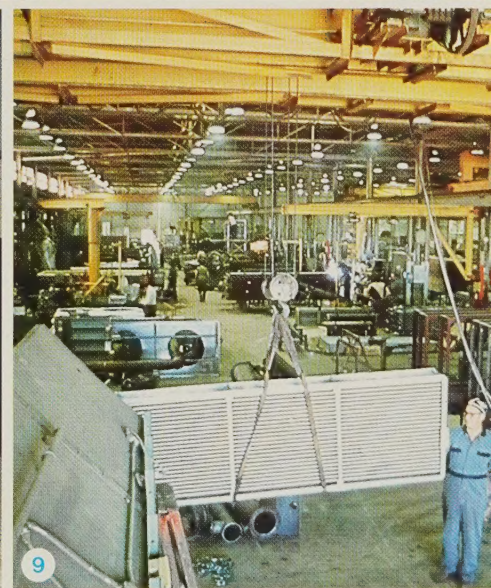
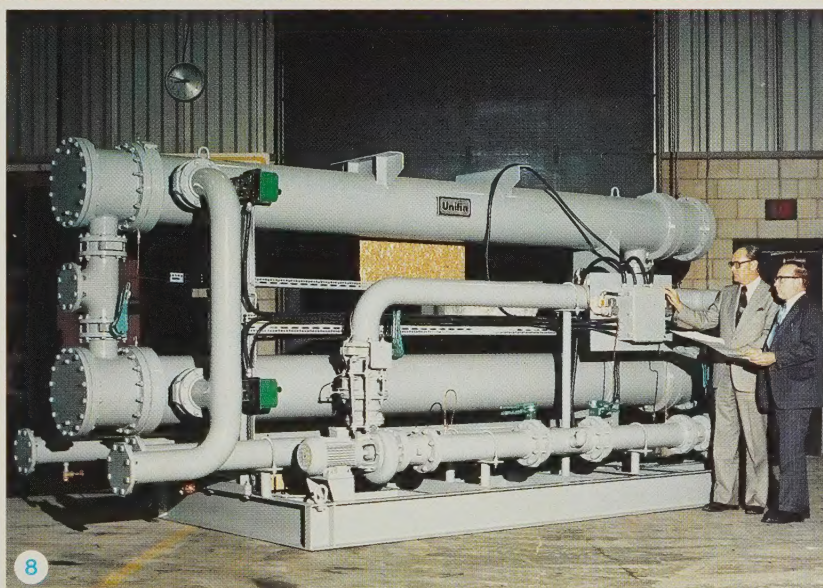
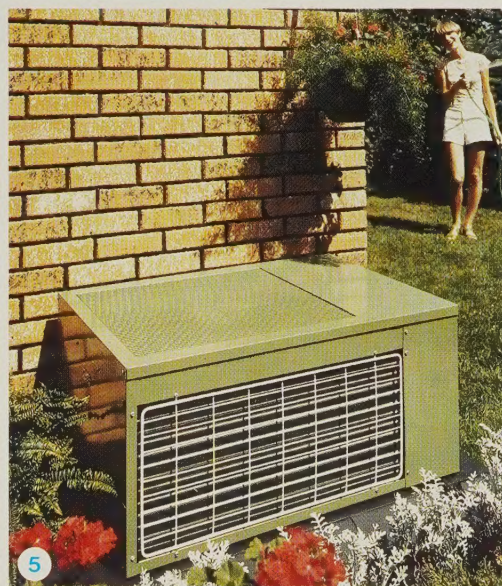
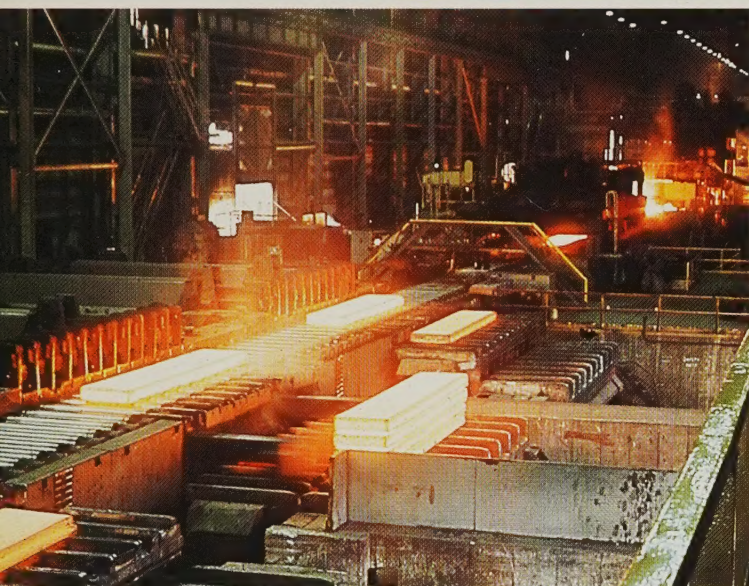
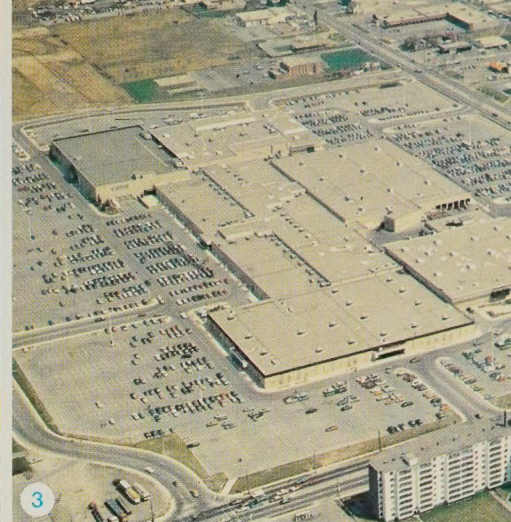
10. This photograph shows Lou Ospeck, President, at Cardinal plant in Lisbon, Ohio with a stock of oil pumps ready for shipment.

New Acquisitions and Investments for the Future

11. KeepRite acquired this new building in Brantford, Ontario early in 1980. It has a total area of 86,000 square feet on a 14 acre site and will be used for manufacturing and warehousing.

12. Unifin, London, Ontario is expanding its plant and office areas to include 25,000 square feet of additional space. Construction began in the fall of 1979 and will be completed in May, 1980 for full utilization of the new investment.

KeepRite / **KeepRite Unifin** / **KeepRite Cardinal**



Consolidated Statement of Income

	Year ended December 31	
	<u>1979</u>	<u>1978</u>
Sales	\$65,103,666	\$55,276,563
Cost of sales, general, selling and administrative expenses	56,612,675	48,591,771
Depreciation and amortization	773,108	1,036,195
Interest expense	945,687	601,154
	58,331,470	50,229,120
Income before income taxes	6,772,196	5,047,443
Provision for income taxes	2,725,000	2,090,000
Net income for the year	\$ 4,047,196	\$ 2,957,443
Earnings per share	\$ 2.00	\$ 1.46

Consolidated Statement of Retained Earnings

	Year ended December 31	
	<u>1979</u>	<u>1978</u>
Balance at beginning of year	\$17,160,502	\$15,819,070
Add: Net income for the year	4,047,196	2,957,443
	21,207,698	18,776,513
Less:		
Dividends paid (Note 6)	1,110,151	1,523,997
Taxes paid to create tax-paid undistributed surplus	—	92,014
	1,110,151	1,616,011
Balance at end of year	\$20,097,547	\$17,160,502

Consolidated Balance Sheet

	December 31	
	<u>1979</u>	<u>1978</u>
Assets		
Current assets :		
Accounts receivable	\$13,903,926	\$12,117,650
Inventories	20,652,047	13,423,887
Prepaid expenses	198,617	228,333
	34,754,590	25,769,870
Fixed assets, at cost (Note 2)	10,126,403	9,212,055
Less : Accumulated depreciation	5,257,934	4,664,903
	4,868,469	4,547,152
Other assets :		
Advances to trustee under employee share purchase plan (Note 3)	183,434	295,889
Goodwill, at cost less amortization	60,506	90,759
	243,940	386,648
	\$39,866,999	\$30,703,670
Liabilities		
Current liabilities :		
Bank indebtedness	\$10,565,522	\$ 5,476,858
Accounts payable and accrued liabilities	6,468,761	6,334,590
Income taxes payable	506,801	69,189
Customers' deposits	765,016	692,160
Current portion of capital lease obligations	75,868	—
	18,381,968	12,572,797
Capital lease obligations (Note 4)	386,121	—
Deferred income taxes	657,000	617,000
Shareholders' equity :		
Capital stock (Note 5) — 2,017,581 common shares	344,363	353,371
Retained earnings	20,097,547	17,160,502
	20,441,910	17,513,873
	\$39,866,999	\$30,703,670
Approved by the Board :		
EDMOND G. ODETTE, Director		
WILLIAM H. HARPER, Director		

Consolidated Statement of Changes in Financial Position

	Year ended December 31	
	<u>1979</u>	<u>1978</u>
Financial resources were provided by:		
Operations —		
Net income	\$ 4,047,196	\$ 2,957,443
Items not requiring a current outlay of funds —		
Depreciation and amortization	773,108	1,036,195
Deferred income taxes	40,000	54,415
Total from operations	4,860,304	4,048,053
Non-current capital lease obligations	386,121	—
Repayment of advances under employee stock purchase plan	112,455	31,527
	<u>5,358,880</u>	<u>4,079,580</u>
Financial resources were used for:		
Purchase of fixed assets, net	1,064,172	875,429
Payments on long-term debt	—	1,061,847
Dividends	1,110,151	1,523,997
Common shares repurchased	9,008	—
Taxes paid to create tax-paid undistributed surplus	—	92,014
	<u>2,183,331</u>	<u>3,553,287</u>
Increase in working capital	3,175,549	526,293
Working capital at beginning of year	13,197,073	12,670,780
Working capital at end of year	<u>\$16,372,622</u>	<u>\$13,197,073</u>

Auditors' Report

To the Shareholders of KeepRite Inc.:

We have examined the consolidated balance sheet of KeepRite Inc. as at December 31, 1979 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The 1978 consolidated financial statements were reported on by other Chartered Accountants.

Hamilton, Ontario,
February 29, 1980.

PRICE WATERHOUSE & CO.
Chartered Accountants.

Notes to Consolidated Financial Statements

December 31, 1979

1. Accounting policies:

Principles of consolidation —

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary, The Cardinal Development Corporation. All significant intercompany transactions have been eliminated.

The investment in the subsidiary is accounted for using the purchase method. Goodwill, the excess of the cost of shares of the subsidiary over the net book value of the assets acquired, is being amortized over a five year period which commenced in 1977.

Inventories —

Inventories are valued at the lower of cost and net realizable value, with cost being determined substantially using the first-in, first-out (FIFO) method.

Fixed assets —

Fixed assets are stated at cost less the federal investment tax credit. Depreciation is provided using the declining balance method at rates designed to write off the assets over their estimated useful lives as follows:

Buildings	5%
Machinery and equipment	20%

Expenditures for dies, moulds and other tools are charged to expense in the year of acquisition.

Leases —

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incident to the ownership of property is classified as a capital lease. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred. Assets recorded under capital leases are amortized using

the straight-line method at rates based on the estimated useful life of the assets.

Income taxes —

Deferred income taxes are provided in respect of timing differences between financial and tax reporting, principally depreciation.

Translation of foreign currency —

Foreign currency balances and transactions have been translated into Canadian dollars as follows: current assets and current liabilities at the exchange rate in effect at year-end; other assets and liabilities at rates prevailing at the transaction dates; revenue and expenses, except for depreciation and amortization, at average rates for the year.

Earnings per share —

Earnings per share are calculated based on the weighted average number of shares outstanding during the year.

Pension costs —

Current service costs of the Corporation's pension plan are funded and charged to operations as they accrue. The unfunded liability for past service pension costs, the amount of which is not significant, is being funded over the next fifteen years.

2. Fixed assets:

	1979	1978
Land and improvements	\$ 297,871	\$ 214,856
Buildings	3,882,629	3,729,373
Machinery and equipment, including \$477,519 held under capital leases		
(1978-\$NIL)	5,945,903	5,267,826
	10,126,403	9,212,055
Less: Accumulated depreciation, including \$64,622 in respect of capital leases	5,257,934	4,664,903
	<u>\$ 4,868,469</u>	<u>\$4,547,152</u>

3. Employee share purchase plan:

Under the terms of this plan for senior employees, the Corporation may advance up to \$500,000 to a trust to finance the purchase of shares from treasury, to a maximum of 4% of the outstanding shares. The advances bear interest at 6%, are repayable in five years and are collaterally secured by the shares purchased. The price for these shares is set by the Board of Directors. The shares are released to the employee as the advances are repaid. During 1979, no advances were made and no shares were purchased. Following the cessation of employment of two senior employees, 1,600 common shares held for them under the plan were repurchased by the Corporation at a price of \$5.63 per share and the proceeds applied to reduce related advances. The shares in question were all restored to the status of authorized but unissued shares.

4. Leases:

The amount of capital lease obligations represents the future minimum lease payments less interest to arrive at the present value of the future minimum lease payments. Depreciation and interest expense for the year include amounts resulting from capital leases.

The future minimum lease payments at December 31, 1979 are as follows:

	Capital leases	Operating leases
1980	\$119,056	\$180,131
1981	123,994	120,705
1982	123,994	47,651
1983	137,977	25,590
1984	63,345	14,669
Subsequent years	17,069	42,994
Total future minimum lease payments	585,435	<u>\$431,740</u>
Less: Interest	123,446	
Present value of future minimum lease payments	<u>\$461,989</u>	

5. Capital stock:

The Corporation filed Articles of Continuance in accordance with Section 181 of the Canada Business Corporations Act and obtained a Certificate of Continuance dated April 27, 1979. The Corporation changed its name from KeepRite Products Limited to KeepRite Inc. and changed the 1,118,975 Class B and 900,206 Class C shares then outstanding to 2,019,181 common shares. Subsequently, 1,600 common shares were repurchased and restored to the status of authorized but unissued shares, as described in Note 3.

6. Dividends:

In 1979 the Corporation paid dividends aggregating \$.55 a share.

7. Related party transactions:

Administrative expenses and accounts payable include a charge of \$200,000 for management services by Odette Group Limited, a shareholder.

Eastern Construction Company Limited, a related corporation, is constructing an extension to the plant and office in London, Ontario for approximately \$855,000. To December 31, 1979, costs of \$70,000 had been incurred.

8. Subsequent event:

On February 15, 1980, the Corporation acquired land and a building in Brantford, Ontario for \$1,735,000.

9. Comparative figures:

Certain of the 1978 balances have been reclassified to conform with the presentation adopted in 1979.

Ten Year Summary of Financial Highlights

Operations:

(in thousands of dollars)	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970
Sales	65,104	55,277	53,845	51,475	41,551	43,290	31,546	26,866	22,798	22,444
Income before income taxes	6,772	5,047	5,468	6,195	5,181	3,931	2,650	2,750	2,262	1,755
Income taxes	2,725	2,090	2,217	2,621	2,205	1,659	1,109	1,288	1,142	918
Net income for the year	4,047	2,957	3,251	3,574	2,976	2,272	1,541	1,462	1,120	837

Balance Sheet:

(in thousands of dollars)										
Working capital	16,373	13,197	12,671	11,053	9,491	8,056	6,589	5,769	3,821	3,256
Fixed assets										
Net after depreciation	4,868	4,547	4,678	4,190	3,209	2,628	2,642	2,532	1,944	1,958
Yearly depreciation provided	773	1,036	740	624	691	639	416	479	365	362
Annual investment										
Fixed assets and toolage	1,064	875	1,068	1,676	1,310	625	526	1,067	352	980
Shareholders' equity	20,442	17,514	16,198	13,803	11,070	8,618	6,934	5,947	4,899	4,085

*Earnings Per Share

Common	2.005	1.465	1.610	1.775	1.509	1.156	.784	.744	.570	.426
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*Adjusted to reflect the capital reorganization of August 23, 1972.

Company Plants and Offices

Head Office:

KeepRite Inc.
44 Elgin St., Brantford, Canada N3T 5P4
Telephone 519-753-8471
Telex 061-81128
Cable address KeepRite Brantford

Plants:

BRANTFORD PLANT No. 1
44 Elgin St., Brantford, Canada N3T 5P4
BRANTFORD PLANT No. 2
159 Roy Boulevard, Brantford, Canada
UNIFIN DIVISION and PLANT
1030 Clark Side Road, Box 5395, Terminal "A"
London, Canada N6A 4P4, 519-451-0230
CARDINAL DIVISION and PLANT
Lisbon, Ohio, U.S.A., 216-424-9536

Brantford Division Sales Offices:

Brantford 519-753-8471; Halifax 902-443-2690;
Montreal 514-337-8040; Ottawa 613-749-7752;
Toronto 416-492-1444; Hamilton 416-637-8241;
London 519-451-0230; Winnipeg 204-888-2533;
Calgary 403-277-9688; Edmonton 403-488-8729;
Vancouver 604-874-9341.

Unifin Division Sales Offices:

Halifax 902-443-2690; Montreal 514-337-8040;
Toronto 416-492-1444; London 519-451-0230;
St. Catharines 416-937-0955.

Representatives:

Farmington, Conn., U.S.A. 203-677-7733;
Atlanta, Ga., U.S.A. 404-955-3262;
San Francisco, Cal., U.S.A. 415-433-0948;
Stafford, U.K. (0785) 2486.



KeepRite, an all Canadian company, is a leading manufacturer of refrigeration, air conditioning, heat transfer and heat recovery products. It has an outstanding record of profitable growth during nearly 35 years of operation. Its products are marketed extensively in North America and are exported to many countries throughout the world.

KeepRite Inc.

Head Office and Main Plant,
44 Elgin Street, P.O. Box 460,
Brantford, Ont., Canada N3T 5P4
Telephone (519) 753-8471 Telex 061-81128



interim
report
to
shareholders

FOR THE SIX MONTHS ENDED
JUNE 30th
1979

KeepRite Inc.

KeepRite Inc.

TO OUR SHAREHOLDERS:

Sales for the first six months of 1979 were 28% higher than the same period last year. Net income for the period was \$1,961,765. This represents earnings of 97.2¢ per share compared to 59.4¢ last year.

The second quarter continued the strong trend reported for the first quarter with shipments up 16% over the corresponding quarter in 1978.

One of the factors supporting these increases was a noticeable strengthening in the Canadian market for our products. Another factor was the devalued Canadian dollar which is making KeepRite products more competitive in U.S. and overseas markets.

Results for the third quarter as in past years will be affected by lower production levels. However, we expect results in the second half of 1979 to compare favourably with the corresponding period in 1978.

The world-wide focus on energy availability and cost will undoubtedly affect our industry. Accordingly, we will continue to emphasize energy efficiency in the design of our products.

At a meeting of the Board of Directors on August 1, 1979, the third quarter dividend of 10 cents per common share was declared. This dividend will be paid September 28, 1979 to shareholders of record September 18, 1979.

After 35 years with the Company, Mr. J. G. McMillen retired as Chairman of the Board, but has agreed to continue as a Director and Honorary Chairman. New Directors appointed were Messrs. E. G. Odette, W. H. Harper, H. P. Crawford, L. L. Odette and J. G. Steer, with Mr. E. G. Odette elected Chairman and Mr. W. H. Harper, Vice Chairman of the Board. The Board has regretfully accepted the resignation of Mr. J. O. Trepanier.

EDMOND G. ODETTE,
Chairman.

F. STEWART BROWN,
President.

August 20, 1979

comparative interim financial statement

(unaudited — subject to year-end adjustment)

consolidated statement of income

	Six months ended June 30	
	1979	1978
SALES	\$38,398,427	\$29,898,085
Cost of sales, selling, administrative and other expenses exclusive of items listed below	\$34,663,651	\$27,290,164
Depreciation	395,167	585,990
Interest on long term debt	2,844	64,403
	<u>\$35,061,662</u>	<u>\$27,940,557</u>
Net income for period before taxes on income	\$ 3,336,765	\$ 1,957,528
Taxes on income	1,375,000	755,449
NET INCOME FOR PERIOD	<u>\$ 1,961,765</u>	<u>\$ 1,202,079</u>
Period basic earnings per common share	97.2¢	59.4¢

consolidated statement of source and use of funds

	Six months ended June 30	
	1979	1978
SOURCE OF FUNDS:		
Net income from operations	\$ 1,961,765	\$ 1,202,079
Depreciation charged to operations	395,167	585,990
Total funds provided from operations	\$ 2,356,932	\$ 1,788,069
Payment from trustee re share purchase plan	18,107	25,828
	<u>\$ 2,375,039</u>	<u>\$ 1,813,897</u>
USE OF FUNDS:		
Reduction of share capital	\$ —	\$ 25,829
Payment of long term debt	10,009	6,578
Fixed assets purchased	253,389	252,560
Dividends paid	403,836	377,160
Taxes paid on undistributed income	—	27,375
Increase (decrease) in working capital	1,707,805	1,124,395
	<u>\$ 2,375,039</u>	<u>\$ 1,813,897</u>

N.B.: Statements include consolidation of subsidiary, The Cardinal Development Corporation.

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